

~~SECRET~~

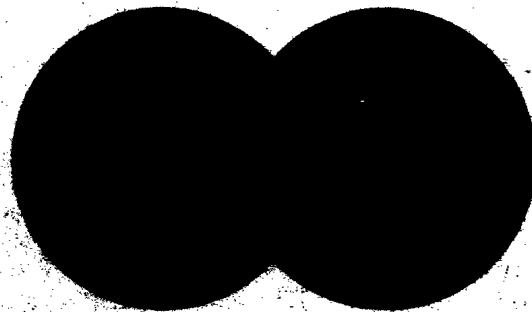
Copy No. 64

RECORDED

RECORDED

RECORDED

# WEEKLY SUMMARY



Number 5

18 JUN 1948

Document No. 001  
NO CHANGE in Class. ☐  
☒ DECLASSIFIED  
Class. CHANGED TO: TS S C  
DDA Memo, 4 Apr 77  
AUTH: DDA REG. 77/1763  
Date: 31/01/78 By: 021

f.5

CENTRAL INTELLIGENCE AGENCY

~~SECRET~~

1. This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the departments of State, Army, Navy, and Air Force.
2. This copy may be either retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency.

**WARNING**

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

**C O N T E N T S**

	Page
HIGHLIGHTS .....	1
WESTERN EUROPE .....	3
EASTERN EUROPE .....	6
NEAR EAST - AFRICA .....	9
FAR EAST .....	14
WESTERN HEMISPHERE .....	17
APPENDIX .....	1

**SECRET****H I G H L I G H T S**

The Janus-faced nature of the Soviet Union's current "peace offensive" was graphically demonstrated this week when within three days the USSR agreed to hold a conference on free navigation of the Danube and then "walked out" of the 16 June Berlin Kommandatura meeting. The Soviet Union can hold a Danube conference at this time without making any real concessions; it has therefore assented to do so in the vein of its present ostensibly conciliatory tactics (see page 7). On the other hand, the Kremlin may have decided, as a means of consolidating its own zone or extorting more advantageous working arrangements from the western powers, to abandon completely the facade of four-power control of Germany's capital. (The implications of this step are discussed in the Appendix.) The USSR will presumably claim that it was "forced" to withdraw by the London agreements regarding western Germany.

Soviet consolidation efforts continue apace in the Satellite areas where the rabid internationalists are clearly gaining ground over their fellow Communists who favor some autonomy for the Satellite nations. A realignment of Communist factions now under way in most of these states is taking power away from the "moderate" Communists (see page 6). Meanwhile, both the USSR and the Satellites are confronted by sizeable economic difficulties which have been brought on by the US embargo on shipments of strategic raw materials to these countries (see page 6).

The French Assembly, as was expected, has by a narrow margin voted its acquiescence in the London agreements concerning western Germany. The Schuman Government, however, must still maneuver through several domestic squalls before it will have weathered the present storm. The success of the government's wage stabilization program, for instance, will remain uncertain until late summer (see page 4).

- 1 -

**SECRET**

**SECRET**

Elsewhere in western Europe, the Benelux countries have given new evidence of their determination to achieve complete economic union by 1950 (see page 3). In Italy, anti-Communist leaders and pro-Communists are scrambling for control of the Left Wing Socialist Party Congress scheduled for late June, and the Communists are intensifying their obstructionism in an effort to discredit the government and stem the anti-Communist tide (see page 5).

Although the UN truce in Palestine has so far been generally effective, extreme tension throughout the country, the determination of both Jews and Arabs to gain maximum military advantage during the truce, and the inability of the Israeli regime to control its military extremists may lead indirectly to the resumption of full-scale hostilities (see page 9). The USSR has sought to establish a precedent for future participation in UN activities in Palestine by its efforts to take part in UN observation of the truce.

There has been no lessening of tension in India where peaceful settlement of the India-Hyderabad dispute has been indefinitely postponed by a breakdown in negotiations. India and Pakistan are still maintaining troops in the disputed areas of Kashmir (see page 12).

Developments in the Far East have in general run true to previous form. Opposition to Chiang Kai-shek is growing in China, the political situation continues uncertain in Korea and Burma, and the Dutch and Indonesians appear even further from agreement (see page 15).

In Latin America, the Ecuadoran Government, through its somewhat unorthodox attempts to prevent a coup by the supporters of presidential candidate Galo Plaza, may be inviting a revolt by the Conservatives who apparently polled a majority in the recent presidential elections. The Bustamante regime in Peru may be losing its sorely-needed army support (see page 17).

**SECRET**

**SECRET****WESTERN EUROPE**

Renewed Benelux determination to achieve complete economic union by 1950, despite economic and political difficulties, is indicated by the ambitious plans recently drawn up by cabinet members of Belgium, the Netherlands, and Luxembourg. These new measures, approved by the three governments, are designed to reconcile more effectively the austere, controlled economy of the Netherlands with the prosperous and free-trade economy of Belgium and Luxembourg. In general, the plan is to relax government control of the Netherlands economy gradually and to bring it into line with the free-enterprise economies of Belgium and Luxembourg. The effectiveness of these measures will depend in large part upon aid from the European recovery program. As the means of obtaining the additional credits needed, the Benelux countries are considering a possible long-term US loan to the Netherlands, to be guaranteed by Belgium. The ability of the Benelux countries to achieve complete union of their economies, a union which would create the third-largest trading area in the world, may not become evident before the end of 1948.

**GERMANY**

The London decisions caused an unfavorable reaction in western Germany largely because of continued German hostility toward all foreign intervention. The unfavorable German reaction is based on the specific beliefs that: (1) internationalization of the Ruhr will be a violation of German sovereignty comparable to the annexation of the eastern German areas by Poland; (2) the projected west German government does not approach the degree of autonomy desired; and (3) the entire structure of the projected government will be imposed upon Germany by foreign powers without participation in discussions by German representatives.

- 3 -

**SECRET**

**SECRET****FRANCE**

The French Government's price stabilization program will remain on the critical list until late summer, although French production is sounder in wind and limb than at any time since the end of the war. Non-Communist labor leaders have been conferring with government leaders in the hope of encouraging price reductions in steel and consumer goods. At the same time, the French Government realizes it will probably be necessary to raise the price of cereal grains in order to make certain that farmers will place their grain on the market instead of feeding it to livestock. Thus, any reduction in the Frenchman's cost of living resulting from a price decrease in steel and certain consumer goods will be partially offset by an increase in cereal grains, textiles, leather goods, and non-ferrous metals. In its unenviable position of attempting to be all things to all economic groups, the French Government will probably grant a price increase here and a price reduction there, all the while marking time until increased production can take over the job of stabilizing prices at a satisfactory level throughout the price structure.

De Gaulle's recently-launched attempts to discredit the Schuman Government and its supporting center parties appear to be encountering a political and economic realism new to popular French thinking. The average Frenchman now seems to realize that political extremism from either the Left or the Right can only result in continued economic instability and a gradual breakdown of personal freedom. As a result of this growing French realism and a general feeling that De Gaulle's extremist attacks place political expediency above national unity, the General's influence in French politics may be on the wane.

**ITALY**

An effective "third force" for Italy is a 50-50 proposition as the dissident anti-Communist leaders and the pro-Communists scramble for control of the Left Wing Socialist

**SECRET****ITALY**

Party Congress which is scheduled to convene at Genoa on 27 June. If the dissident group succeeds in purging the party leadership of pro-Communists, an independent Socialist party, including the moderate Socialist groups of Lombardo and Saragat, may emerge as a cohesive leftist group. This new party would be capable of drawing working-class members away from the Communists and contributing solid support to the economic reforms of the coalition government. To counter such rebel action and retain their control of the Left-Wing Socialists, the Communists have offered to relinquish to the Socialists some Communist seats in Parliament. In addition, the Communists will probably attack the "reactionary" character of moderate Socialist Lombardo who has said that certain Marxist economic policies should be scrapped in favor of free-enterprise methods.

Italian Communists are intensifying their obstructionism both within and outside Parliament in an effort to discredit the Government and to stem the anti-Communist tide of the past several months. Communist rowdiness and interference with corrective economic legislation is commonplace in both the Chamber of Deputies and the Senate. Outside Parliament, the Communists continue to stress their role as the champion of the working man by encouraging strikes for higher wages in both agriculture and industry. Such a campaign has the double advantage of enhancing the prestige of Communist labor leaders and hampering government efforts to check the inflationary spiral and attain general improvement throughout the economy.

- 5 -

**SECRET**



**SECRET****EASTERN EUROPE**

The US embargo on shipments of strategic materials to the USSR and Satellite nations is causing considerable difficulty in the Soviet Union, Poland, and Czechoslovakia. In the USSR, the US embargo is impeding industrialization of the Soviet economy and forcing the Soviet Union to seek other sources for badly-needed machinery. Because many of these machines are produced only in the US, the USSR is now increasing production of these types, many of them copies of machines previously received from the US. The diversion of plants and materials for this program further cuts down the overall productivity of the Soviet economy.

In Poland, US export restrictions have been most directly felt in the steel industry. These restrictions have prevented delivery of a blooming and slabbing mill, which is important to the expansion of Poland's steel industry and is a major component in Poland's war potential. The Polish Government must, therefore, now decide whether to continue its efforts to obtain dollars by trading with the west or to resort to bilateral "barter" agreements and to further economic orientation with eastern Europe and the USSR.

In Czechoslovakia, the US embargo of copper exports threatens to cripple strategic industries and add to the shortages of materials vital to the Czechoslovak economy. The Government's extreme concern over the lack of copper is indicated by its reported maneuver in securing the reshipment to Czechoslovakia of a 500-ton lot of US electrolytic copper ordered by the Principality of Liechtenstein. Iron ore is another material in critically short supply. The USSR seems reluctant to supply any emergency shipments of iron ore to tide over the Czechoslovak industries.

Rabid internationalists among Satellite Communists are gaining ground over those Communists who favor some autonomy for the Satellite states. As a result of Soviet efforts to consolidate the position of the USSR in eastern Europe, a realignment

**SECRET**

**SECRET**

of Communist factions has already begun in Yugoslavia and Czechoslovakia. Hungary and Bulgaria are rumored to be next on the list. In Yugoslavia, the issue has already been decided in favor of such Moscow-dominated leaders as Tito and Rankovic. In Czechoslovakia, the "moderate" Gottwald has been booted upstairs to the presidency in order to make way for the radical trade-union boss, Zapotocky. In Bulgaria, Dimitrov and the internationalists are rumored to be in process of uprooting the "moderate" Communists. In Hungary, recent statements by Deputy Premier Rakosi probably indicate a tightening of the Hungarian Communist leadership in the near future.

The recent Soviet "reduction" of Hungarian and Rumanian reparations is virtually meaningless in terms of actual economic benefits, but it will enable the USSR to pose before the world as the real champion of peaceful postwar reconstruction in Europe in contrast to "imperialist aid proffered by Wall Street." This Soviet "benevolence" is also an attempt to counterbalance the impression which may be made on the Satellites by a promising beginning of the European recovery program.

**SOVIET UNION**

Soviet agreement to hold the forthcoming Danube Conference fits in with the Kremlin's current "peace offensive," but does not necessarily represent a preliminary step in the development of a more conciliatory Soviet policy toward the west. The Kremlin can hold the conference at this time without making any real concessions because: (1) the Soviet bloc will have a comfortable 7-3 majority; and (2) pseudo-concessions can be made (such as agreement on the principle of freedom of navigation or participation of Austria as an observer at the conference) without endangering Soviet de facto control of the Danube from Vienna to the Black Sea.

**SECRET**

**SECRET****GREECE**

The resumption of Bulgarian-Greek diplomatic relations would probably bring about little immediate improvement in the Balkan situation although it might superficially ease the tension between Greece and Bulgaria, and even between Greece and the other northern neighbors. The problem is a knotty one despite the avowed willingness of the two governments to resume negotiations. Bulgaria, for instance, in preliminary discussions has referred to the necessity for certain "adjustments" before an exchange of representatives can take place. These "adjustments" might well turn out to be Bulgarian demands that Greece publicly disavow its territorial claims or other demands so unacceptable that the negotiations would fail at the outset. In such an event, not only Bulgaria but the other Satellites and the USSR would attempt to align world opinion against the "monarcho-fascist" Greek Government for its failure to cooperate in the interests of world peace. Even if preliminary negotiations should succeed and representatives were exchanged, Greece would probably get little satisfaction from the Bulgarian Government on such specific problems as the kidnapping of Greek children, Satellite aid to Markos, the return of looted property and materiel, war reparations, and Bulgarian violations of the World War II peace treaty. The Greek Government apparently feels, however, that the failure to obtain immediate adjustment of these problems will be outweighed by the future possibility that the resumption of relations with Bulgaria will eventually provide an opening for constructive diplomatic action on the part of Greece and its western supporters.

**SECRET**

**SECRET****NEAR EAST - AFRICA****PALESTINE**

The UN truce has been generally effective so far, but extreme tension throughout Palestine and the determination of both Jews and Arabs to gain surreptitiously all possible military advantages during the truce period may create incidents leading to the resumption of full-scale hostilities. Perhaps the greatest danger lies in the admitted inability of the Provisional Government of Israel (PGI) to control the Jewish military extremists, the Stern Gang and the Irgun Zvai Leumi. Although these forces nominally are a part of the Israeli Army, they retain their group identity and continue to advocate an extremist political program for the inclusion of all Palestine and Transjordan in the Jewish state. Their independence of action is illustrated by a recent announcement by an Irgun leader that a new political group, known as the "Jewish Movement for Freedom," has been formed to carry on an underground struggle outside the present frontiers of Israel.

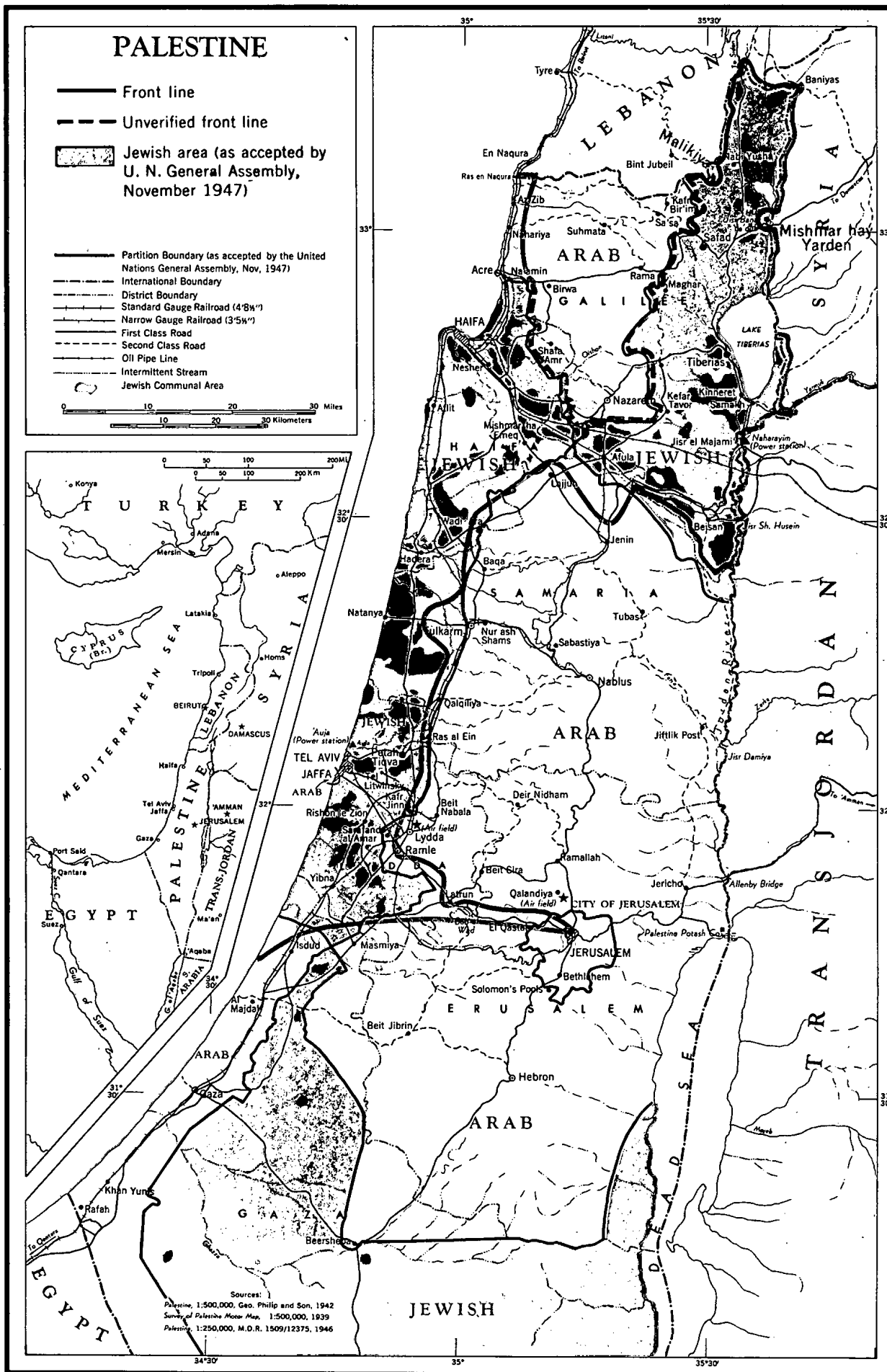
Even if Arab and Jewish observance of the truce continues to be generally effective, four weeks provide little time to UN Mediator Bernadotte for dealing with the fundamental problem of arranging a modus vivendi between Arab and Jew. A factor favoring him is that fighting has for the moment ended in a virtual stalemate, which may operate against resumption of hostilities. The unresolvable issues of immigration and Israeli statehood remain as persistent negative factors.

The recent Soviet request to take part in UN observation of the truce is an obvious attempt to establish a precedent for future participation by the USSR in UN activities in Palestine. The Soviet representative has even hinted that his country would be satisfied with token participation, thus indicating that the USSR is willing to sacrifice equality with other powers on the Truce Commission in order to be able to get in at all. The Kremlin undoubtedly considers that Soviet participation would improve its capabilities for intelligence activity and liaison with local pro-Soviet elements. Security Council rejection of

- 9 -  
**SECRET**

(On effective date of U. N. cease-fire order)

CONFIDENTIAL



**SECRET****PALESTINE**

the request has given Soviet propagandists improved opportunities for comparing US-UK "imperialism" and "oil diplomacy" with the Soviet efforts to attain a "just and equitable" solution of Palestine's problems.

Actually, the USSR does not appear at present to be concerned about the nature of the states set up in Palestine. Just now, the Kremlin is primarily interested in seeing that independent states are established, which will either be susceptible of control by "progressive forces" or so divided and weakened internally as to be of little political and strategic value to the US or UK. The USSR, which currently supports Israel because it considers it the best medium for infiltration of the Middle East, would as readily recognize and support an independent Arab state in Palestine.

The military situation in Palestine when the UN's cease-fire became effective on 11 June is shown on the accompanying map. Jewish forces hold the coast from Jaffa north to the Lebanese border and thereby control all of Palestine's main seaports. The Jews also control Eastern Galilee, except for two Syrian Army footholds at Malikya and south of Lake Hule. Although the situation in most of Western Galilee is confused, the Jews hold a land bridge connecting the coast with Eastern Galilee. The Old City of Jerusalem is held by the Arabs, and the New City is almost completely cut off from reinforcements. King Abdullah's Arab Legion still commands the Tel Aviv-Jerusalem supply route. Some twenty Jewish settlements in the Negev, though still in Jewish hands, are isolated by Egyptian troops. Egyptian forces hold the coast from Gaza to Isdud and are maintaining a link between this salient and the area which they control between Beersheba and Jerusalem. Arab troops are at Lydda and Ras el Ein (the source of Jerusalem's water supply), only ten miles or so from Tel Aviv. In the north, Arab forces are in control of the important Jenin-Nablus-Tulkarm triangle and are in a position to threaten the Haifa-Tel Aviv communications west of Tulkarm.

**SECRET**

**SECRET****PALESTINE**

Further delay in French recognition of Israel may be expected as a result of the recent Arab-Jewish riots in eastern Morocco, which marked the first such public violence since the end of World War II. The French Government has been gravely concerned with the rather delicate internal political situation in its North African territories since the outbreak of the Palestine conflict. The French are extremely anxious to avoid either antagonizing the Arab populations in North African possessions or presenting the rabid nationalists in these same areas with precedents upon which to base their own claims to independence.

**IRAN**

The election of Abdol Hosein Hajir as prime minister of Iran presages no significant change in Iranian policy, domestic or foreign. If Hajir succeeds in forming a cabinet, he should be able to promote more harmonious relations between the Shah and the government: he is reportedly on good terms with the Shah and obviously has the approval of the Qavam faction, without whose support he could scarcely have obtained a majority vote in the Majlis. Hajir is both friendly to the west and strongly nationalistic.

**TURKEY**

Reports that Turkey is sending arms to the Arabs are almost as persistent as official Turkish denials of the allegations. The Government, although admitting that some "fowl-ing pieces and blunderbusses" of ancient vintage may have been smuggled into Syria, reiterates its policy of adhering to UN obligations. Turkish officials also point out that Turkish-US relations would become impossible if the Turks were to deliver arms to the Arabs while the Turkish armed forces are being re-equipped and modernized by the US. The Turks have made no secret of their sympathy for the Arab cause, believing as they do that the Palestine troubles jeopardize Turkey's security, but they certainly would not be so foolish as to permit shipment of arms from Turkey to the Arabs in contravention of a UN measure supported by the US.

**SECRET****INDIA-PAKISTAN**

No peaceful settlement of the India-Hyderabad dispute seems likely in the near future. After ten months, the negotiations for the accession of Hyderabad have broken down, and both moderates and extremists in Hyderabad have become so incensed against India that, if a plebiscite were held, accession would probably be voted down. Hyderabad (whose belligerent attitude may be partly inspired by Pakistan) is smuggling arms from Pakistan and preparing for war. India has announced that it intends to pursue into Hyderabad any raiders who violate Indian territory and to demand full compensation for damage done to Indian property. Moreover, the Government of India, which is continuing its gasoline embargo against Hyderabad, will probably enforce additional economic sanctions. Open and declared war is not expected: Hyderabad has no efficient fighting force, and India would hesitate to divert any sizeable force from the critical Kashmir area. The danger exists, however, that armed Razakers (Hyderabad extremists) will create a series of incidents that will provoke Indian reprisals and thus bring on guerrilla warfare.

In Kashmir, there have been no significant developments during the week although neither India nor Pakistan has withdrawn its forces from the disputed area. As the Security Council's Kashmir Commission assembles in Geneva, the Government of India is giving wide publicity to the allegedly illegal presence of Pakistani troops in Kashmir.

**SOUTH AFRICA**

South Africa, which has lived beyond its means for a number of years and is now dipping dangerously into gold reserves, is confronted with the economic necessity of reducing imports of luxury items (which are obtained chiefly from the US). South Africa normally has a trade deficit which it makes up by exporting gold, but sales of newly-mined gold have been insufficient to pay for its greatly increased post-war imports. The apparently inevitable restriction of non-essential imports will be particularly unpalatable to the Malan Government because it came into power partly as a result of general irritation over economic controls.

**SECRET**



**SECRET**

**IRAN**

Soviet penetration of Iranian air transportation appears likely within the near future. During the past several months, pro-Soviet Iranians have been buying stock in Iranian Airways (Iranair) in an effort to gain control of the airline. The actual holdings of the pro-Soviet purchasers are not known, and it may be necessary for the Iranair Board of Directors to forestall a meeting of the stockholders while the board attempts to obtain proxies insuring control of the company. Even if successful, this maneuver can only provide a breathing spell. Unless Iranair is reorganized and properly financed by interests friendly to the western powers, control of the airline will probably go to the USSR by default.

**SECRET****FAR EAST****CHINA**

Chiang Kai-shek is confronted with increasing opposition within the Kuomintang as well as sentiment for his removal and for a settlement with the Communists. The legislature, which has increasingly opposed the policies of the regime, has even directed criticism toward Chiang himself. The Generalissimo still appears incapable of coping with the whole situation or of taking steps to improve the ominous military outlook. Chiang finds it difficult in choosing men for positions to subordinate such considerations as seniority, face, and personal loyalty to the attributes of ability and integrity. On the other hand, no one leader has yet emerged capable of assuming Chiang's position. Without Chiang, the country would probably revert to regionalism, and Communist expansion would thereby be abetted. Thus, while Chiang's political collapse looks increasingly likely, it may not occur for several years.

**KOREA**

The reluctance of the UN Temporary Commission on Korea (UNTCOK) to treat the newly-elected assembly as a "national" body derives from the cautious position taken by Syria, Australia, Canada, and possibly by India. The representatives of these countries consider that the assembly cannot be described as a "national" body because it does not represent all Korea. Apprehension over possible Soviet reaction and a desire to keep the US in Korea apparently account for their stand. In its public declarations, the Commission therefore has avoided any reference to a "national assembly" but has announced its readiness to consult with "elected representatives." The hesitancy of UNTCOK can be expected to: (1) widen the rift between South Korean leaders and the Commission by further decreasing confidence in that body; and (2) add to the general confusion and uncertainty among South Koreans about their future, thus favoring the Communist position.

**SECRET**

**SECRET****SIAM**

The Phibul government is gradually losing prestige as a result of its slowness in effecting domestic reforms, including the important one of lowering the cost of living as well as checking the profiteering activities of Army Deputy Commander Kach and his associates. This loss in prestige is somewhat counterbalanced by the increase in foreign exchange revenues resulting from an unexpected rise in rice exports. The increasing activities of opposition groups may, however, cause Phibul to use strong-arm methods as the only means of achieving his objectives.

**BURMA**

The change of Prime Ministers on 20 July may be accompanied by a cabinet shake-up and a consequent temporary political stabilization. However, the irresponsible and opportunistic Peoples Volunteer Organization (one of the two major components of the coalition government) is likely to keep on pressing for the inclusion of the Communists in the government or may decide to join with the Communists in destroying the Anti-Fascist League coalition. Thakin Nu is retiring as premier in order to devote more attention to strengthening League unity. While still in office, however, he must attempt to find some way to resolve the dilemma recently created by his enunciation of a leftist unity program which is incompatible with his declared belief in democratic government. The new premier-designate, Bo Let Ya, is not an outstanding leader and has not yet publicly committed himself to any program.

**INDONESIA**

The future of the UN Good Offices Committee has been jeopardized seriously by the withdrawal "for the time being" of the Dutch delegation from negotiations with the Indonesian Republic. The Dutch professedly base this action on the fact that public release was made of an informal

**SECRET**

**SECRET**

**INDONESIA**

US-Australian plan for future negotiations. It appears, however, that information concerning these proposals was released by the Dutch themselves. Meanwhile, at The Hague, the Netherlands Government continues to insist that it is in no position to consider a major decision on Indonesia until after the Dutch national elections in July. At the instigation of the Dutch, however, unilateral discussions outside the GOC have been begun between Premier Hatta of the Indonesian Republic and Acting Governor General Van Mook of the Netherlands Indies Government. Unless the Hatta-Van Mook talks are unexpectedly productive, the GOC will be confronted with almost insuperable obstacles in reaching an agreement between the two parties.

**SECRET****WESTERN HEMISPHERE****ECUADOR**

In order to declare a Galo Plaza victory in the recent presidential elections, the Ecuadoran Government apparently is disqualifying votes received by Flor, the Conservative candidate. Flor actually seems to have polled a majority, but the Government wishes Galo elected in order to forestall a revolt by Galo's supporters. The Government's action, however, may lead to a coup by the Conservatives in combination with Enriquez, the third candidate, to whom they reportedly have proposed joint revolutionary action. The Conservatives have strong popular support. Low morale and dissension within the Ecuadoran Army will presumably restrict its ability to deal effectively with any disorders which may arise following the announcement of election results.

**VENEZUELA**

The seamen's strike, which began aboard Venezuelan tankers on 7 June, is not expected to last long enough to affect the vitally important Venezuelan oil supply. The Communist-dominated striking union controls only some of the seamen on 18 Venezuelan tankers, and the Venezuelan seamen, who belong to other unions and who sail under other flags, have shown no signs of cooperating with the strikers. The Venezuelan Government is reported ready to take whatever measures are necessary to force a settlement, if the situation grows more serious.

**PERU**

President Bustamante may be losing his much needed army support, both as a result of gains which Peru's largest party, APRA (non-Communist left), has made in army ranks and as a result of conflict between Bustamante and his Cabinet,

**SECRET**

PERU

which is reported to have resigned in a body. An army group, including General Marin, former Minister of War (who is said to control a considerable portion of the Peruvian Army), is trying to find a compromise acceptable both to APRA and to the president, but may withdraw its support from President Bustamante and realign itself with APRA. (General Marin also is reported to have frustrated recent attempts to force APRA underground and to dissolve the Peruvian Congress.) The reported resignation of the entire Bustamante Cabinet, presumably over the issue of dissolving Congress, suggests that President Bustamante may lose anti-APRA, right-wing, army support, and that APRA may draw strength from the collapse of the Bustamante-Army Cabinet.

- 18 -

**SECRET**

**SECRET****A P P E N D I X****THE SOVIET WITHDRAWAL FROM THE BERLIN  
KOMMANDATURA**

The situation in Berlin has been further complicated by a Soviet "walkout" from the 16 June meeting of the Berlin Kommandatura in a maneuver similar to the abrupt Soviet departure from the Allied Control Commission (ACC) in March. As in the case of the ACC, further meetings are not scheduled, and the USSR may have decided to abandon completely the facade of quadripartite control of the German capital. Through this action, the Soviet Union has improved its position for obtaining the consolidation of the Soviet Zone necessary for formation of an East German state or for seeking, through "conciliation," the establishment with the western powers of more advantageous working arrangements for Germany as a whole, or for Berlin in particular. Soviet and Communist propaganda will undoubtedly claim that this latest Soviet action was forced by the six-power announcement of plans for a provisional government of western Germany. Agitation for western withdrawal from Berlin may increase, but it appears doubtful that the USSR will make a formal demand for such withdrawal.

If the USSR should proceed directly with the formation of an east German state, the withdrawal from the Kommandatura will provide Soviet propagandists with a "legal" claim for the incorporation of the Berlin Soviet sector into the eastern zone and will make possible increased pressure for the withdrawal of the western allies on the grounds that, having partitioned Germany, the western powers have no place in the Soviet Zone.

On the other hand, current Soviet tactics may be designed to create an "emergency" situation which would either force the western powers to call for renewed meetings of the ACC or permit the USSR to take such action without loss of face. Through apparent concessions on the question of quadripartite control of Germany or through the time-worn method

**SECRET**

**SECRET**

of obstinate obstructionism, the Soviet Union would attempt to use such meetings to delay the realization of allied plans for western Germany. In any event, the USSR will leave itself free to consolidate further its political and economic control of the Soviet Zone and will be prepared, at any time that appears opportune, to declare the formation of an east German state with pretensions to sovereignty over the entire country.

- 11 -

**SECRET**



**SECRET****DISTRIBUTION**

1. . . . . The President
2. . . . . Secretary of State
3. . . . . Chief of Staff to Commander in Chief
4. . . . . Secretary of Defense
5. . . . . Secretary of the Army
6. . . . . Secretary of the Navy
7. . . . . Secretary of the Air Force
8. . . . . Chairman, National Security Resources Board
9. . . . . Executive Secretary, National Security Council
10. . . . . Assistant Secretary of Navy for Air
11. . . . . Chief of Staff, U.S. Army
- 12,13,14. . . . Chief of Naval Operations
- 15,16,17. . . . Chief of Staff, U.S. Air Force
18. . . . . Director of Plans and Operations, General Staff, U.S. Army
19. . . . . Deputy Chief of Staff (Operations) U.S. Air Force
20. . . . . Deputy Chief of Naval Operations (Operations)
21. . . . . Director of Plans and Operations, U.S. Air Force
- 22,23,24. . . . Special Assistant to Secretary of State, Research & Intelligence
- 25,26,27,28,29. Director of Intelligence, General Staff, U.S. Army
- 30,31,32. . . . Chief of Naval Intelligence
- 33,34,35,36,37. Director of Intelligence, U.S. Air Force
38. . . . . Director of Security and Intelligence, Atomic Energy Comm.
39. . . . . Executive Secretary, Military Liaison Committee, Atomic Energy Commission
- 40,41,42,43,44. Chief, Acquisition & Distribution Division, OICD, Dept. State
45. . . . . Director, Federal Bureau of Investigation
46. . . . . Secretary, Joint Chiefs of Staff
47. . . . . Chief, Policy Planning Staff, Dept. State
48. . . . . Secretary of State (Attention: Mr. Barnes)
49. . . . . Deputy Director, Joint Intelligence Group, Joint Staff
- 50,51. . . . . Secretary, Joint Intelligence Group, Joint Staff
52. . . . . U.S. Air Force Representative on Joint Strategic Survey Committee
- 53,54. . . . . Secretary, State-Army-Navy-Air Coordinating Committee

**SECRET**

**SECRET**